

Washington Suburban Sanitary Commission

MISSION STATEMENT

The Washington Suburban Sanitary Commission (WSSC) is a bi-county governmental agency established in 1918 by an act of the Maryland General Assembly. It is charged with the responsibility of providing water and sanitary sewer service within the Washington Suburban Sanitary District, which includes most of Montgomery and Prince George's counties. In Montgomery County, the Town of Poolesville and portions of the City of Rockville are outside of the District.

WSSC'S PROPOSED BUDGET

WSSC's proposed budget is not detailed in this document. The Commission's budget can be obtained from WSSC's Budget Group at the WSSC Headquarters Building, 14501 Sweitzer Lane, Laurel, Maryland 20707 (phone 301.206.8110) or from their website at www.wsscwater.com.

Prior to January 15 of each year, the Commission prepares preliminary proposed capital and operating budgets for the next fiscal year. On or before February 15, the Commission conducts public hearings in both counties. WSSC then prepares and submits the proposed capital and operating budgets to the County Executives of Montgomery and Prince George's counties by March 1.

By March 15 of each year, the County Executives of Montgomery and Prince George's counties are required by law to transmit the proposed budgets, recommendations on the proposed budgets, and the record of the public hearings held by WSSC to their respective County Councils.

Each County Council may hold public hearings on WSSC's proposed operating and capital budgets, but no earlier than 21 days after receipt from the County Executive. Each County Council may add to, delete from, increase, or decrease any item in either budget. Additionally, each Council is required by law to transmit by May 15 any proposed changes to the other County Council for review and concurrence. The failure of both Councils to concur on changes constitutes approval of the item as originally proposed by WSSC. Should the Councils fail to approve the budgets on or before June 1 of each year, WSSC's proposed budgets are adopted.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ ***Operate and maintain a system of 3 reservoirs impounding 14 billion gallons of water, 2 major water filtration plants, 7 wastewater treatment plants, 5,500 miles of water mains, and 5,400 miles of sewer mains 24 hours a day, 7 days a week.***
- ❖ ***Treat and deliver 170.0 million gallons of water per day to over 444,000 customer accounts, and treat 209.9 million gallons of wastewater per day in a manner that meets or surpasses all Federal and State water and wastewater quality standards and permit requirements. (WSSC has never had a drinking water violation in its 90 year history.)***
- ❖ ***Continue to provide maintenance services at a level consistent with the objective of responding to the customer within 2 hours of receiving notice of a major problem and restoring service to the customer within 24 hours from the time a service interruption occurs.***
- ❖ ***Undertake a six-year Capital Improvement Plan that incorporates 5 new projects, including the development of an innovative, comprehensive, and cost-effective program for the sustainable production and use of biogas at the Seneca and Piscataway Wastewater Treatment Plants.***
- ❖ ***Inspect, repair, and install acoustic fiber optic cable (an early warning system) for 12 miles of large diameter pre-stressed concrete cylinder pipe (PCCP) water mains. This program is especially important in view of the recent catastrophic failures of two large PCCP water mains in Montgomery County.***
- ❖ ***Continue to renew WSSC's underground infrastructure through the Water and Sewer Reconstruction Programs. The Commission will reconstruct 31 miles of water mains (4 more miles than in FY09) and rehabilitate 42 miles of sewers in FY10, while expanding the latter program to include lining 10 miles of lateral sewer lines.***
- ❖ ***Comply with the Sanitary Sewer Overflow Consent Order.***

- ❖ **Fund the second year of the five-year program to implement an Enterprise Resource Planning/Enterprise Asset Management system.**
- ❖ **Fund the third year of the eight-year phase-in to achieve full funding for liabilities related to post-employment benefits other than retirement, based on Governmental Accounting Standards Board Statement No. 45, and continue to increase the operating reserve from 5% to 10% of water and sewer rate revenues.**
- ❖ **Fund the above activities and initiatives in conjunction with a 9% rate increase, consistent with the Spending Control Limits recommended by the County Executive and approved by the County Council.**

The County Executive is recommending that an additional \$2.5 million be allocated to the Commission's infrastructure maintenance and renewal efforts, which will provide for 6 miles of additional PCCP inspection, repair, and acoustic fiber optic cabling, plus 2.7 miles of additional water main reconstruction.

Spending Control Limits

The spending control limits process requires that the two counties set annual ceilings on WSSC's water and sewer rate increase and on debt (bonded indebtedness as well as debt service) and then adopt corresponding limits on the size of the capital and operating budgets. The two Councils must not approve capital and operating budgets in excess of the approved spending control limits unless a majority of each Council votes to approve them. If the two Councils cannot agree on expenditures above the spending control limits, they must approve budgets within these limits.

The Montgomery and Prince George's County Councils adopted different FY10 spending control limits for WSSC. The following table shows the FY10 spending control limits adopted by each of the Councils, compared to the spending control results projected under WSSC's Proposed Budget and the County Executive's Recommended Budget. WSSC's Proposed Budget complies with the spending control limits approved by Montgomery County but exceeds Prince George's County's limit on water and sewer operating expenditures and on the average water and sewer rate increase..

FY10 Spending Control Limits Comparison				
SPENDING CONTROL LIMITS	Approved Spending Control Limits		Projected Levels Under:	
	Montgomery County	Prince George's County	WSSC Proposed Budget	County Executive Recommended Budget
Maximum Average Water/Sewer Rate Increase	9.5%	6.0%	9.0%	9.0%
New Debt (\$millions)*	\$188.8	\$188.8	\$161.0	\$180.5
Debt Service (\$millions)	\$174.8	\$174.8	\$168.5	\$170.2
Total Water and Sewer Operating Expenses (\$millions)	\$521.2	\$507.1	\$519.7	\$523.6

*New debt includes a system completion factor of 80%, except for reconstruction bonds, where the completion factor is 100%.

FY10 COUNTY EXECUTIVE RECOMMENDATIONS

Capital Budget

Increase WSSC's proposed FY10 capital expenditures by \$29.994 million: \$25.324 million to adjust for projected increases in Blue Plains costs, \$230,000 for acceleration of the Biogas Production Feasibility Study Project, and \$4.440 million for additional water main reconstruction. The increase will be funded by \$23.234 million in additional WSSC bonds, \$5.681 million in increased State aid, and \$1.079 million from increased City of Rockville contributions.

Blue Plains Cost Increases

The County Executive's January, 2009 recommendations on WSSC's FY10-15 CIP include a recommended \$25.324 million increase to the total estimated FY10 cost for the five Blue Plains Advanced Wastewater Treatment Plant projects to align them with the updated amounts shown in the District of Columbia Water and Sewer Authority's Proposed FY08-17 CIP. The \$25.324 million increase consists of \$18.564 million in additional WSSC bonds, \$5.681 million in increased State aid (from the Bay Restoration Fund), and \$1.079 million in additional payments by the City of Rockville.

Acceleration of the Biogas Production Feasibility Study

In its mid-year revisions to the Proposed FY10-15 CIP, WSSC included a one-year delay of the Biogas Production Feasibility Study. This innovative project involves the development of a comprehensive program for the sustainable production and use of biogas at the Seneca and Piscataway Wastewater Treatment Plants. The expected benefits of this project include production of renewable fuel and low-cost power for green energy programs, increased power reliability to prevent sanitary sewer overflows, and reductions in

biosolids production and air pollution. The project is expected to pay for itself over time from energy savings.

The County Executive does not recommend that this project be delayed. Restoration of FY10 funding for the Biogas Project will increase the capital budget by \$230,000. The County Executive concurs with the other mid-year revisions to WSSC's Proposed FY10-15 CIP.

Increased Infrastructure Renewal

WSSC's Proposed FY10 Capital Budget provides funding for the continued renewal of the Commission's underground infrastructure. Capital funds are included for reconstruction of 31 miles of water main, the rehabilitation of 42 miles of sewer main, and the lining of 10 miles of lateral sewer lines (an enhancement to the sewer reconstruction program made possible by recent technical advances).

The County Executive recommends that an additional \$2.5 million be dedicated to water main reconstruction (a capital expense) and the inspection, repair, and acoustic fiber optic cabling of large pre-stressed concrete cylinder pipe (an operating expense). Of the \$2.5 million, \$400,000 is to be dedicated to paying debt service for 2.7 miles of additional water main reconstruction. This will increase the capital budget by \$4.440 million.

Operating Budget

Increase WSSC's proposed operating expenditures by \$3.852 million, including \$1.752 million for increased debt service and \$2.1 million for six miles of additional pre-stressed concrete cylinder pipe (PCCP) inspection, repair, and fiber optic cabling for large water mains.

Expenditures

Increase debt service by \$1.752 million: WSSC's FY10 operating budget is influenced, in part, by the level of expenditures authorized for the first year of the FY10-15 CIP and other expenditures in WSSC's capital budget. The operating budget includes expenditures for debt service on bonds that finance the construction of CIP projects, lateral water and sewer lines (which carry water or wastewater to and from a dwelling or business), and other capital projects, including the reconstruction/rehabilitation of WSSC's underground infrastructure. The recommended \$1.752 million increase in debt service consists of \$1.352 million for the \$18.564 million in additional WSSC bonds needed to fund cost increases for the Blue Plain projects and the \$230,000 in bonds needed to restore the Biogas Production Feasibility Study, plus \$400,000 for bonds to fund an additional 2.7 miles of water main reconstruction.

Increase operating expenditures by \$2.1 million: This increase will provide for an additional 6 miles of large PCCP inspection, repair, and acoustic fiber optic cabling (installation of an early warning system), which will increase total PCCP inspection and repair to 18 miles in FY10 - the maximum that system constraints will allow. At this enhanced level of effort, it will be possible to inspect, repair, and cable all PCCP water mains 48" in diameter and larger in a little over three years.

Revenues

Increase use of the Reconstruction Debt Service Offset (REDO) by \$1.5 million: REDO comes from surplus funds that have accumulated in the Interest and Sinking Fund. WSSC is proposing to transfer \$11.5 million in REDO to the Water and Sewer operating budgets for FY10. The County Executive recommends that the REDO transfer be increased by \$1.5 million to a total of \$13.0 million in FY10.

Increase the use of fund balance by \$2.352 million: WSSC is projected to have a fund balance of \$48.6 million at the end of FY09.

Fiscal projections for all funds and budgets are shown on the next page. Six year projections for the Water and Sewer Operating Budget are shown in the display on page 15-5.

PROGRAM CONTACTS

Contact Sheila Cohen of the Washington Suburban Sanitary Commission at 301.206.8167 or John Greiner of the Office of Management and Budget at 240.777.2765 for more information regarding this agency's capital and operating budgets.

Expenditures by Category - FY10 WSSC Proposed and Executive Recommended							
(\$000s)							
Expenditure Categories	WSSC Total	WSSC Total	WSSC Total	CE Capital	CE Operating	CE Total	% Chg. (CE Rec. vs. WSSC Proposed)
	Actual FY08	Approved FY09	Proposed FY10	Rec. FY10	Rec. FY10	Rec. FY10	
Salaries and Wages	103,838	116,293	113,043	21,507	91,536	113,043	0.0%
Heat, Light, & Power	23,025	24,329	28,422	--	28,422	28,422	0.0%
Regional Sewage Disposal	42,384	40,558	42,224	--	42,224	42,224	0.0%
Contract Work	74,447	201,585	187,881	191,655	--	191,655	2.0%
Consulting Engineers	18,438	40,582	42,337	43,003	--	43,003	1.6%
All Other	216,907	266,366	280,079	114,954	192,779	307,733	9.9%
Debt Service	<u>212,364</u>	<u>227,297</u>	<u>235,352</u>	<u>19</u>	<u>237,085</u>	<u>237,104</u>	<u>0.7%</u>
Total Budget	691,403	917,010	929,338	371,138	592,046	963,184	3.6%
Notes:							
1. Expenditures include the Water and Sewer Operating Funds, Interest and Sinking Fund, and the three capital funds.							
2. The FY09 Approved budget includes an approved \$3.33 million mid-year supplemental.							

WSSC PROPOSED: FORECAST FOR WATER AND SEWER OPERATING FUNDS

FISCAL PROJECTIONS	FY09 ADOPTED	FY09 ESTIMATED	FY10 PROPOSED	FY10 RECOMMENDED	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION	FY15 PROJECTION
SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS									
New Water and Sewer Debt (\$millions)	\$134.9	\$134.9	\$161.0	\$188.8	\$276.2	\$234.5	\$217.5	\$198.2	\$168.2
Total Water and Sewer Operating Expenses (\$millions)	\$481.3	\$481.3	\$519.7	\$521.2	\$550.6	\$592.2	\$620.6	\$652.0	\$683.2
Debt Service (\$millions)	\$157.4	\$157.4	\$168.5	\$174.8	\$185.4	\$203.4	\$218.9	\$233.8	\$243.9
Average Water and Sewer Rate Increase	8.0%	8.0%	9.0%	9.5%	9.4%	9.2%	5.0%	5.5%	5.0%
BEGINNING FUND BALANCE (\$000)	67,514	67,514	48,611	48,611	32,245	28,000	28,000	28,000	28,000
REVENUES (\$000)									
Water and Sewer Rate Revenue	402,672	396,490	440,301	440,301	482,977	529,078	557,275	589,523	620,642
Interest Income	5,500	1,800	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Account Maintenance Fee	22,850	22,850	22,850	22,850	23,050	23,250	23,450	23,650	23,850
Miscellaneous	18,572	18,994	19,217	19,217	19,387	19,557	19,727	19,897	20,067
Total Revenues	449,594	440,134	487,868	487,868	530,914	577,385	605,952	638,570	670,059
SDC Debt Service Offset	2,612	2,612	2,498	2,498	2,398	2,293	2,192	1,428	1,167
Reconstruction Debt Service Offset (REDO)	12,000	12,000	11,500	13,000	11,500	11,000	11,000	10,500	10,500
Use of Prior Year Net Revenue	20,403	20,403	17,866	20,218	5,745	1,500	1,500	1,500	1,500
TOTAL FUNDS AVAILABLE	484,609	475,149	519,732	523,584	550,557	592,178	620,644	651,998	683,226
EXPENDITURES (\$000)									
Salaries and Wages	93,290	90,788	90,879	90,879	95,424	100,196	105,206	110,468	115,992
Heat, Light, and Power	24,329	24,329	28,422	28,422	30,185	32,332	34,636	37,105	39,749
Regional Sewage Disposal	40,558	41,000	42,224	42,224	44,335	46,552	48,879	51,323	53,890
Debt Service	157,363	149,963	168,490	170,242	185,391	203,418	218,866	233,824	243,878
All Other (includes \$1.5 million annual contribution to reserve)	169,069	169,069	189,717	191,817	195,222	209,680	213,057	219,278	229,717
TOTAL USE OF RESOURCES	484,609	475,149	519,732	523,584	550,557	592,178	620,644	651,998	683,226
REVENUE/EXPENDITURE SURPLUS/(GAP)	0	0	0	0	0	0	0	0	0
YEAR END FUND BALANCE w/o additional \$1.5 m reserve	47,111	47,111	30,745	28,393	26,500	26,500	26,500	26,500	26,500
Additional \$1.5 million Reserve Annual Contribution	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
TOTAL YEAR END FUND BALANCE	48,611	48,611	32,245	29,893	28,000	28,000	28,000	28,000	28,000
Debt Service as a Percentage of Budget	32.5%	31.6%	32.4%	32.5%	33.7%	34.4%	35.3%	35.9%	35.7%
Estimated Water Production (MGD)	169.5	168.5	170.0	170.0	170.5	171.0	171.5	172.0	172.5
Accumulated Add'l Reserve (\$1.5M annual contribution since FY04)	9,000	9,000	10,500	10,500	12,000	13,500	15,000	16,500	18,000
Total Operating Reserve	25,000	25,000	26,500	26,500	28,000	29,500	31,000	32,500	34,000
Total Operating Reserve as a Percentage of Water and Sewer Revenue	6.2%	6.3%	6.0%	6.0%	5.8%	5.6%	5.6%	5.5%	5.5%
Total Workyears (all funds)	1,555	1,428	1,561	1,561	--	--	--	--	--

Assumptions:

- The County Executive's operating budget recommendation is for FY10 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY11-15 projections reflect WSSC's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended CIP for WSSC. The projected expenditures, revenues, and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed in the County Executive's Recommended FY10 water and sewer operating budget for WSSC.
- The FY09 Adopted and FY09 Estimated spending affordability assumptions are the limits for FY09 implied by the budget jointly approved by Montgomery and Prince George's Counties. The FY10 Proposed spending affordability figures are the spending affordability assumptions associated with WSSC's Proposed FY10 budget. The FY10 Recommended spending affordability assumptions are the limits approved by the Montgomery County Council for FY10. (Prince George's County adopted different limits.) The FY11 - FY15 spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.
- The FY09 Adopted figures include a \$3.33 million supplement to the FY09 Approved Budget that was approved by the Prince George's County Council on November 18, 2008 and by the Montgomery County Council on December 2, 2008.
- The total FY09 Estimated workyears shown correspond to the actual workyears as of December, 2008.

WSSC ORGANIZATION CHART

